

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

USTR Press Releases are available on the USTR home page at WWW.USTR.GOV.
They are also available through the USTR Fax Retrieval System at 202-395-4809.

FOR IMMEDIATE RELEASE
Tuesday, February 24, 1998

98 - 18
Contact: Jay Ziegler
Christine Wilkas
(202) 395-3230
www.ustr.gov

**FOREIGN MARKET SHARE OF JAPANESE SEMICONDUCTOR
MARKET FALLS IN THIRD QUARTER 1997**

Washington -- The foreign market share of Japan's semiconductor market fell from 35.8 % in the second quarter to 32.1% in the third quarter of 1997, the Commerce Department today announced. This represented a 3.7 percentage point decline from the second quarter share, following a steady pattern of growth over the last four quarters (from second quarter 1996 to second quarter 1997).

United States Trade Representative Charlene Barshefsky underlined the importance of a return to the positive trend in foreign participation in the Japanese semiconductor market. "Sustained openness of the Japanese semiconductor market, reflected in strong foreign participation in that market, is an important part of the larger Japanese response to the Asian financial crisis," Ambassador Barshefsky stated. "A resumption of the positive trend in foreign share is all the more critical in light of Asian and world semiconductor capacity."

"Over the next few quarters, we will be monitoring the Japanese market to ensure that foreign participation in the semiconductor market returns to the positive path that it has followed recently," said Commerce Secretary William Daley. "Ensuring access to Japan's semiconductor market demonstrates the Clinton Administration's ongoing commitment to enforcement of international trade agreements."

This is the first reduction in foreign share since second quarter 1996. For the first three quarters of 1997, the foreign share still rose to an average of 33.5%, six percentage points higher than the average for 1996. The decrease in share in third quarter appears to be due to market conditions.

Falling demand for computers in Japan led to a decrease in sales of microprocessors, which are primarily produced in the United States. In addition, Japan increased production of dynamic random access memories (DRAMs) and supplied a larger proportion of its home market.

At the time the U.S. negotiated the first semiconductor agreement with Japan in 1986, the U.S. semiconductor industry, without free and fair access to the Japanese market (the second largest

in the world), was struggling to maintain its position in the world. Barriers to entry held the foreign share of the Japanese market to about 8%. Since the first U.S.- Japan semiconductor agreement took effect, foreign share of Japan's semiconductor market has quadrupled to reach a record high of 35.8% in the second quarter of 1997. U.S. chip makers' sales to Japan grew from under \$1 billion in 1986 to nearly \$7 billion in 1996. U.S. firms recaptured the lead in world market share from the Japanese in 1993, and continues to hold it today.